

Hyphens Pharma International Ltd

Building channels to establish business longevity

SINGAPORE | HEALTHCARE | INITIATION

- Exclusive distributorship of Specialty Pharmaceutical products confers high margins and strong customer loyalty.
- Expansion into both online and offline retail sales channel such as Watson's, Guardian, Lazada and RedMart will spur growth across product portfolio.
- Hyphens Pharma continues to establish its presence within the region with expansion of product portfolio through new product launches and footprint into various sales channels.
- Initiate coverage with ACCUMULATE rating and a target price of S\$0.435.

Company Background

Hyphens Pharma International Limited ("Hyphens Pharma") was founded in September 1998 by Chairman, Executive Director and CEO Mr. Lim See Wah when the Group made an investment in Pan-Malayan Pharmaceuticals ("Pan-Malayan"). Its principal business activities include the sales, marketing and distribution of pharmaceutical and healthcare-related products on behalf of its proprietary brands and renowned pharmaceutical principals such as Sofibel and Guerbet.

Today, Hyphens Pharma has expanded its business to include both B2B and B2C channels with direct presence across 5 countries (Singapore, Malaysia, Vietnam, Indonesia and the Philippines) and marketing and distribution network in 6 other markets (Bangladesh, Brunei, Cambodia, Hong Kong, Myanmar and Oman).

Investment Merits

1. Exclusivity as regional product owner for proprietary brands and renowned brand principals from Europe and the United States.

Hyphens Pharma is the sole regional product owner of an extensive portfolio of pharmaceutical and health supplement products. The Group has built up its product portfolio by entering into exclusive distributorship or licensing and supply agreement with brand principals such as Sofibel and Guerbet, as well as developing its own suite of dermatological and health supplement products through its brands Ceradan®, TDF® and Ocean Health®. Exclusive ownership of its product portfolio allows Hyphens Pharma to enjoy customer loyalty and a pricing premium. Portfolio sales are classified under business segments of Specialty Pharmaceuticals and Proprietary Brands, combining to contribute 67% of Hyphens Pharma's revenue in FY19, with the remaining 33% contributed by the Medical Hypermart and Digital segment.

2. Expansion of sales into B2C channel in Singapore will increase retail presence of Hyphens Pharma's product portfolio.

Hyphens Pharma's acquisition of Ocean Health in 2016 paved the way to introduce the Group's portfolio into the retail market. With Ocean Health having an established retail presence in the local pharmacies such as Guardian and Watson's, the acquisition provided Hyphens Pharma with valuable additions to its portfolio as well as securing shelf space in the competitive retail space for other products within its portfolio from both specialty pharma products and proprietary brands.

Apart from expanding into the physical retail space, Hyphens has also moved its products to e-commerce platforms such as Lazada, RedMart and Shopee. Hyphens will continue to enjoy top-line growth of its products as its footprint in the consumer sector grows.

3. 'Asset-light' business model presents strong value creation.



20 July 2020

ACCUMULATE (INITIATION)

LAST CLOSE PRICE	SGD 0.420
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.435
TOTAL RETURN	6.0%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN)	300
MARKET CAP (USD mn / SGD mn)	90.7 / 126.2
52 - WK HI/LO (SGD)	0.56 / 0.18
3M Average Daily T/O (mn)	5.65

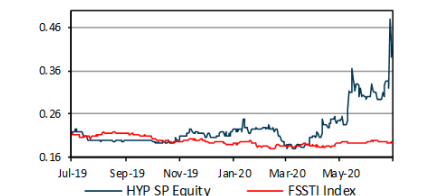
MAJOR SHAREHOLDERS (%)

INOMED HOLDING PTE LTD	65.3%
TAN CHWEE CHOON	14.6%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	30.0	98.3	84.8
STI RETURN	(1.4)	2.4	(18.4)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, (\$'000)	FY19	FY20e	FY21e	FY22e
Revenue	119,442	131,776	144,982	160,729
EBITDA	9,854	10,309	11,428	12,807
NPAT	6,530	6,644	7,402	8,559
EPS (\$ Cents)	2.2	2.2	2.5	2.8
P/E (x)	19.3	19.0	17.0	14.7
P/B (x)	2.9	2.6	2.3	2.0
Div Yield	1.3%	2.4%	2.4%	2.4%
ROE	18.7%	15.7%	14.3%	14.3%

Source: Company Data

VALUATION METHOD

DCF @ WACC = 7.2%, g = 1.5%

Tay Wee Kuang (+65 6212 1853)

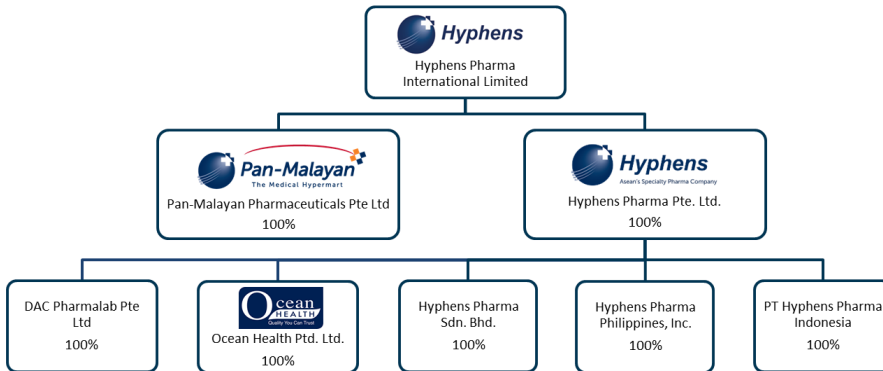
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By establishing itself within the value chain by undertaking high-value business functions such as sales and marketing for its extensive product portfolio while outsourcing capital-intensive functions such as production and logistics, Hyphens Pharma has managed to pursue an ‘asset-light’ business model. As a result, Hyphens is able to maintain a high margin business with expenses contributed largely by marketing and distribution and maintaining low capital expenditure (CAPEX) over the past 5 years.

We initiate Hyphens Pharma with an ACCUMULATE rating. Our target price of S\$0.435 derived from a discounted cash flow model with weighted average cost of capital (WACC) of 7.2% and terminal growth rate of 1.5% implies a total return of 6%.

Corporate Structure



Source: Company

Industry Overview

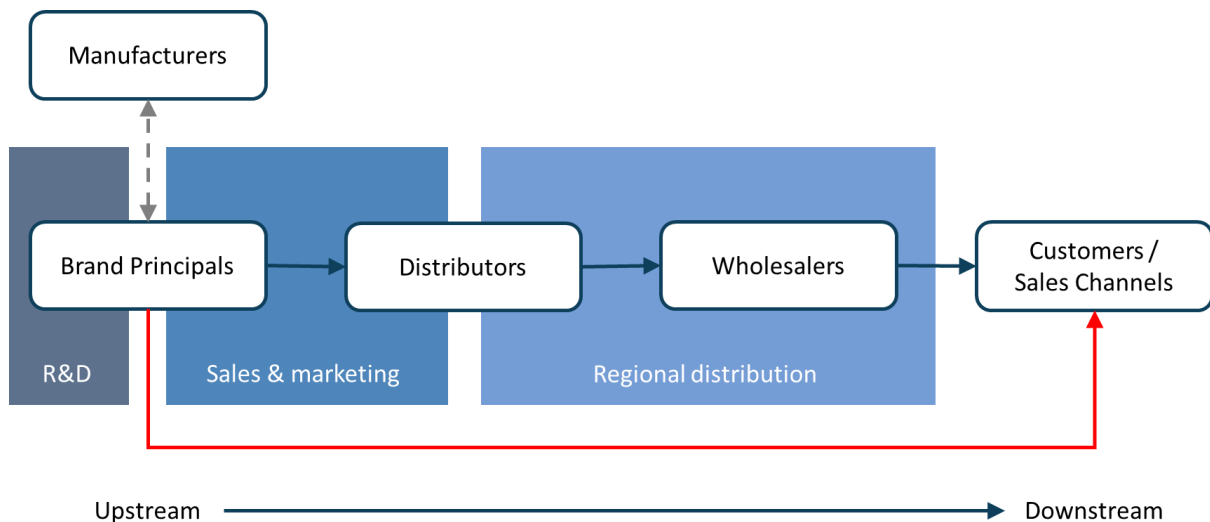
The pharmaceutical goods industry is a fragmented industry with each medical discipline (e.g. dermatology, orthopaedics etc.) comprising a sub-segment on its own. A pharmaceutical product often undergoes years of Research & Development (R&D) process involving application for patents to protect technologies and strict regulations and procedures around safety and testing.

Due to the long and arduous R&D activities, product value is often concentrated on upstream activities. The product owners, known as the brand principals, will then take the product to the market themselves or out-license the product to distributors who will be in charge of go-to market strategies, which require specific market knowledge.

Apart from understanding market demand, entering a market also involves understanding regulations across jurisdictions as pharmaceutical products need to be registered with the relevant authorities before they can be sold in the different markets in accordance with local regulatory guidelines.

The industry value chain from upstream to downstream is illustrated in figure 1.

Figure 1: Industry value chain for pharmaceutical goods



Source: PSR

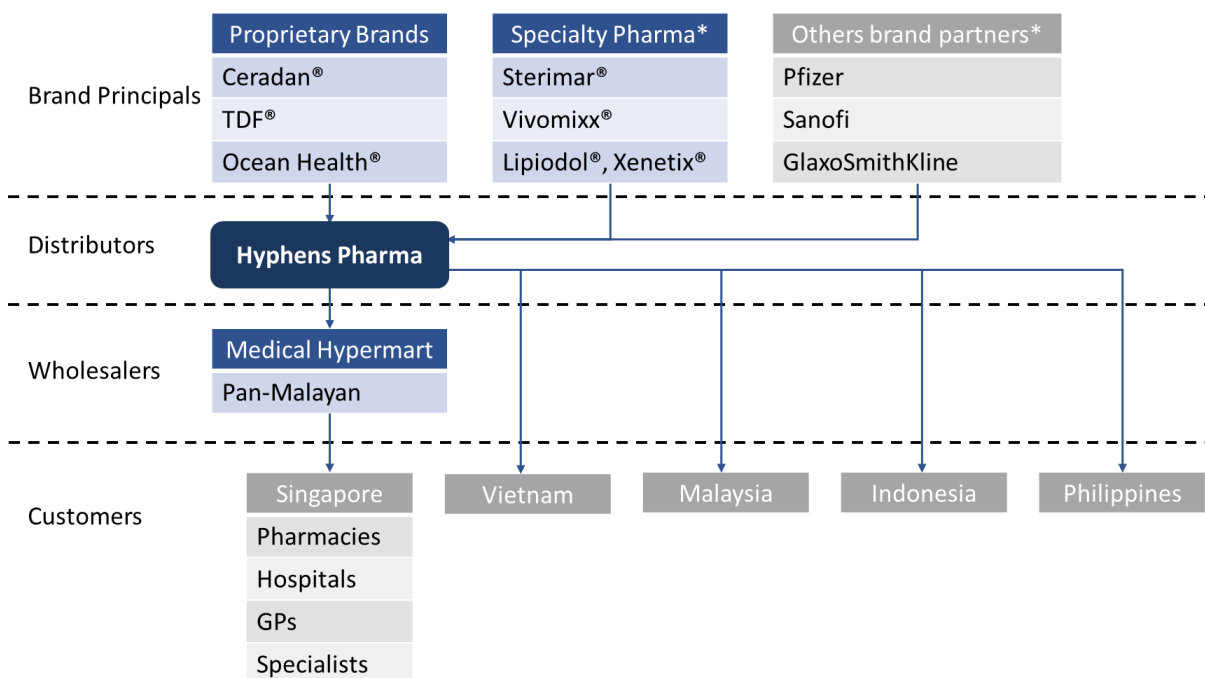
While brand principals hold the most value within the value chain which typically translates to higher margins, the long lead time as well as the huge capital outlay to engage in R&D to create new products often limits the scale of brand principals.

Distributors on the other hand, with their specific market knowledge, are able source for potential brand principals to expand their product portfolio, and in return, operate on a larger scale within their market. Distributors also engage with medical practitioners to raise the profile of their product portfolio and seek potential sales prospects such as specialists, general practitioners (GPs), retail pharmacies and even hospitals.

Revenue

Hyphens Pharma operates three business segments – Specialty Pharma, Proprietary Brands as well as Medical Hypermart and Digital. Through its business segments, Hyphens Pharma has established itself within the value chain across various markets (Figure 2).

Figure 2: Hyphens presence within the value chain



Source: Company, PSR

Business Segment

Specialty Pharmaceuticals Principals: the segment involves the management of the product portfolio that Hyphens Pharma owns through exclusive distributorship or licensing and supply agreement with pharmaceutical principals from Europe and the United State.

Currently, Hyphens Pharma has more than 30 products under its portfolio, including contrast media products (Figure 3) used in radiology from Guerbet S.A. and Stérimar® nasal sprays from Sofibel S.A.S. Business activities within the segment include product registration and marketing campaigns to educate medical professionals on product knowledge to generate demand for products.

Having established its reputation of managing an extensive portfolio of pharmaceutical products within the region, Hyphens has enjoyed success through building long-term working relations with various brand principals. The segment has historically contributed more than half of the Group’s revenue, and experienced a CAGR of 10% over the past 5 years (Figure 5).

Proprietary Brands: Hyphens develops, and sells its own proprietary range of dermatological products as well as a suite of health supplement products. The segment saw contribution leapfrog from 3% in FY15 to 12% in FY19. This was largely due to the acquisition of Ocean Health® in 2016 which expanded its portfolio from Ceradan® to further include TDF® as well as Ocean Health® supplements.

Figure 3: Contrast media product, Lipiodol Ultra Fluid



Source: Guerbet

Hyphens work with research partners such as A*STAR to conduct research and development (R&D) activities. Hyphens then bring its proprietary brands to the market regionally through its distribution network via a similar model undertaken for specialty pharma products.

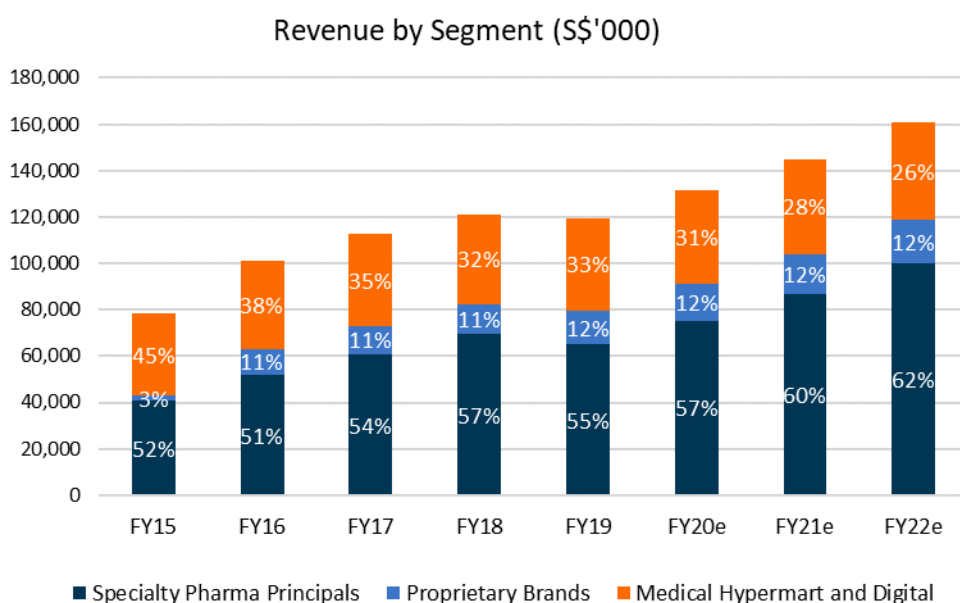
Medical Hypermart and Digital: Hyphens Pharma conducts its online B2B business through Pan-Malayan. Carrying over 4,000 items from medical PPEs to pharmaceutical drugs, Hyphens undertakes the wholesale of medical supplies to more than 3,000 customers in Singapore ranging from specialists, GPs to hospitals and retail pharmacies.

Apart from specialty pharma brands and proprietary brands, the medical hypermart also carry trusted pharmaceutical drugs from Pfizer and Sanofi to provide customers with a one-stop shop for all their inventory needs. Hyphens also provides break-bulk services to customers by consolidating orders from customers and passing cost savings customers.

Revenues within the segment has remained relatively stable, with an average growth rate of 3% over the past 5 years and contributing 33% to Hyphens’ revenues in FY19.

For more information on Hyphens Pharma’s product portfolio, please refer to Appendix A.

Figure 6: Revenue breakdown by segment between FY15 – FY22e.



Source: Company, PSR

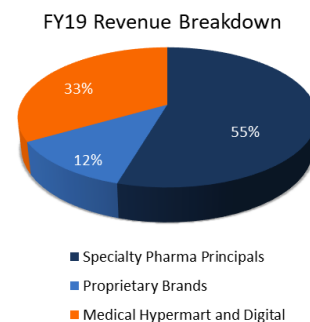
Investment Thesis

i. High loyalty to specialty pharma products and proprietary brands. Hyphens Pharma is granted exclusive distributorship for products under the specialty pharma and proprietary brands segments. Apart from off-the-shelf health supplements under Ocean Health®, the products are generally sold to discerning medical practitioners. As such, Hyphens engage in extensive sales and marketing activities such as holding medical conventions and providing product knowledge training to doctors to prove the efficacy of its products for sales conversion.

The process of relationship-building with doctors builds trust for Hyphens and its product portfolio, which translates to customer loyalty. Customers are also deterred from switching products due to the inherent familiarity with existing products and a lack of substitutes products, especially for specialty products with niche uses.

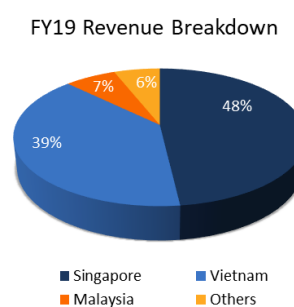
ii. Expanding retail presence through online and offline channels. The acquisition of Ocean Health in 2016 allowed Hyphens to gain access to additional sales channels for its product portfolio that was largely B2B in nature. In the second half of 2019, the company brought three

Figure 4: Revenue breakdown by business segment in FY19



Source: Company, PSR

Figure 5: Revenue breakdown by geographical segment in FY19



products, Stérimar[®], Ceradan[®] and Vivomixx[®] to the retail market through retail pharmacies such as Guardian and Watson's and saw robust growth in sales for these products.

The additional sales also came at minimal marketing and distribution costs as the company's go-to strategy for bringing its product portfolio to these channels is to take products that have established its brands that have obtained doctor's recognition before putting them out in the retail market. This means that retail consumers usually have brand recognition by way of prior prescriptions from doctors.

iii. Presence as a channel integrator promotes business longevity. Hyphens pharma is able to preserve business value by engaging in high-value functions within the value chain. This grants them with the ability to command higher margins while outsourcing manufacturing and logistics activities to third parties to ensure an asset-light business operation.

As of FY19, plant, property and equipment and right-of-use assets only make up 7.4% of Hyphens asset, allowing Hyphens to pursue growth strategies such as acquiring more brands to expand its product portfolio or downstream distributors to widen their footprint across different sales channels to generate more sales.

Financial Highlights and Forecasts

Revenue: Hyphens Pharma have seen revenues grow at a CAGR of 8.8% between FY15 – FY19, with a reversal observed in FY19 (-1.2% YoY) as a result of heightened sales in FY18 in anticipation of licensing renewals in anticipation of license renewals in FY19 for some of its specialty pharma products. We expect revenues to grow between 10 – 11% over the next 3 years, driven by both specialty pharma and proprietary brands segments. Expansion of product portfolio including the recent product launch of Ceradan[®] Gentle Cleanser and Ceradan[®] Hand Lotion Sanitiser, as well as deeper penetration of the retail market through both online and offline channels, will contribute to the robust revenue growth.

Figure 7. Revenue Forecasts for FY20e – FY22e

(S\$'000s)	FY17	FY18	FY19	FY20e	FY21e	FY22e
Revenue	112,652	120,930	119,442	131,776	144,982	160,729
Growth	11.6%	7.3%	-1.2%	10.3%	10.0%	10.9%

Source: Company, PSR Estimates

Margins: Gross profit margin improved from 32.8% in FY17 to 33.7% and 35.7% in FY18 and FY19 respectively. This was largely attributable to the increased contribution from the specialty pharma principals and proprietary brands segments, which command higher margins when compared to the medical hypermart and digital segment. We expect margins to stabilise around 34 – 35% moving ahead.

Figure 8. Gross Profits margin for FY20e – FY22e

	FY17	FY18	FY19	FY20e	FY21e	FY22e
GP Margin	32.8%	33.7%	35.7%	34.1%	34.5%	34.8%

Source: Company, PSR Estimates

Balance Sheet: with strong cash position

Cash-flow: A strength of Hyphens' business model is the minimal capital expenditure required in the business. PPE only make up only 7.4% of total assets in FY19. With minimal capex required for business activities, FCF yield in FY19 stands at 7.5% based on current prices. High FCF allow Hyphens to keep a lookout for potential acquisitions that can further expand its footprint within the value chain.

Dividends: Hyphens Pharma distributed dividends of one Singapore cent per share for FY19, representing a payout ratio of 46% in FY19. Moving forward, the Company intends to distribute dividends of at least 30% of the Group's net profits attributable to shareholders. We believe the dividends of one Singapore cent per share will be sustainable, representing a modest yield of c.2 – 2.5%.

Risk and mitigations

Dependence on relationships with brand principals for specialty pharma portfolio. Licensing agreement with brand principals is key to the success within the segment, which contributes to more than 50% of its revenue historically. As such the loss of such agreements as a result of non-renewal or early termination may result in the loss of key revenue sources.

By establishing itself within the regional as a reputable distributor, Hyphens Pharma is able to maintain healthy and longstanding working relations with brand principals, allowing for the longevity of exclusive distributorship of products within the portfolio.

Loss of demand from delayed product registrations and renewals. Product registration with relevant authorities is required before products can be sold within the various markets. These licenses to sell within a market typically expire within two to three years and require renewals.

However, due to regulatory backlog at times, licenses registrations and renewals face the risks of non-timely renewals which may put product off the market while awaiting approvals. Hyphens Pharma mitigates the risks by working with downstream partners to sufficiently stock sales channels to and to ensure no loss of demand.

Competition with other brand principals for proprietary brands portfolio. While proprietary brands grant higher margins to Hyphens Pharma, there is strong competition within its product portfolio segments of health supplements and dermatology. As such, recognition of efficacy in products through granting of patents will be testament to quality and reliability of its product portfolio, especially amongst medical practitioners.

Valuation

We initiate coverage on Hyphens Pharma with an ACCUMULATE rating and at a target price of S\$0.435 derived from a discounted cash flow model with the following assumptions:

- i) Weighted Average Cost of Capital (WACC) of 7.2%
- ii) Terminal growth rate of 1.5%

Figure 10: Discounted Cash Flow Model

FCFF Model	(S\$'000s)					
Year	FY20e	FY21e	FY22e	FY23e	FY24e	Terminal
EBIT	8,312	9,400	10,737	11,871	13,284	
EBIT(1-T)	7,043	7,964	9,097	10,058	11,255	
Add: Depreciation and Amortisation	1,949	2,023	2,109	2,298	2,569	
(Change in CAPEX)	1,613	576	639	1,201	1,640	
(Change in WC)	2,987	7,573	2,620	8,032	6,135	
FCFF	4,392	1,838	7,946	3,123	6,049	199,757
Present Value of FCFF	4,248	1,654	6,653	2,433	4,383	144,741
Enterprise value						164,113
Less: Total Debt						33,144
Less: Minority Interest						-
Implied Equity Value						130,969
Outstanding Number of Common Shares ('000s)						300,430
Target Price						0.435

Source: PSR Estimates

The target price of \$0.435 suggests a forward PE ratio of 18.99x which is favourable when benchmarked against the industry average of 24.21x. Hyphens Pharma's Return-on-Equity of 16.66% is also higher than the industry's 8.47% with a comparable dividend yield of 2.38% to the industry's 2.28% (Figure 11).

Figure 9: Underlying assumptions for WACC

Beta	0.66
Risk-free rate	0.95%
Cost of Equity	7.70%
Cost of Debt	3.22%

Source: PSR Estimates

Figure 11: Peer Comparison across different business segments

Company	Market Cap. (S\$mn)	P/E Ratio (x)	Fwd. P/E Ratio (x)	P/B Ratio (x)	ROE (%)	EV/EBITDA (x)	Debt-to-Equity (%)	Div. Yld (%)
Hyphens Pharma International Ltd	126.2	17.50	18.99	2.73	16.66	9.42	8.08	2.38
Brand Principals								
DKSH Holdings	130.6	8.04	7.70	0.64	8.12	6.27	130.92	2.95
Katakura Industries Co Ltd	493.9	-	-	-	7.52	15.03	73.99	-
Koa Shoji Holdings Co Ltd	225.5	11.94	12.86	1.22	10.67	3.23	30.06	1.71
Charmacy Pharmaceutical	104.0	13.03	-	1.08	8.36	20.01	311.35	-
Codupha Central Pharmaceutical	10.6	8.78	-	0.83	9.54	16.43	354.96	-
Average	192.9	10.45	10.28	0.94	8.84	12.19	180.26	0.93
Proprietary Brands								
Vita Life Sciences Ltd	28.9	9.58	-	1.35	13.95	6.12	10.42	-
Blackmores Ltd	1,481.4	34.80	67.77	6.04	26.72	-	57.29	0.07
Health & Happiness International	3,960.6	19.77	16.80	3.91	20.77	10.12	107.95	2.89
Extrawell Pharmaceutical	42.8	2.87	-	0.21	7.54	-	5.66	-
Average	1,378.4	16.76	33.89	2.88	17.25	8.12	45.33	1.48
Medical Hypermart and Digital								
Apex Healthcare	446.8	24.43	28.90	3.10	13.29	11.41	6.48	1.11
Pharmaniaga	237.2	-	11.21	2.08	(33.32)	7.69	175.73	4.96
Average	342.0	24.43	20.06	2.59	(10.02)	9.55	91.11	3.04
Average	651.12	14.80	24.21	2.05	8.47	10.70	114.98	2.28

Source: Bloomberg, PSR Estimates

Appendix A: Product Portfolio of Hyphens Pharma across all business segments

Specialty Pharma: Hyphens Pharma owns more than 30 products within the portfolio that is used across various medical disciplines. As the exclusive distributor on behalf of brand principals within the region, Hyphens Pharma takes charge of product registration within the jurisdiction, to the providing product knowledge training and support to customers which include medical practitioners such as specialists.

Figure 12: Products within Specialty Pharma segment

Brand Principals	Country	Brands	Medical Discipline
Guerbet S.A.	USA	Xenetix®, Dotarem®, Lipiodol®	Contrast Media
Biosensors International	Singapore	BioFreedom™	Interventional Cardiology
Sofibel SAS	France	Sterimar® nasal sprays	Neonatology
Next Gen Pharma India	India	Vivomixx™	Gastroenterology
J Uriach y Compañía	Spain	Rupafin	Allergy

*List is non-exhaustive



Source: Company

Proprietary Brands: Hyphens Pharma currently owns three proprietary brands in Ceradan®, TDF® as well as Ocean Health®. Hyphens Pharma develops products under the three brands alongside research partners such as A*STAR, and brings the product to market themselves through its established distribution network within the region.

Both Ceradan® and TDF® products target dermatological conditions including eczema, acne and skin pigmentation that are sold through doctors’ prescription. However, Hyphens Pharma has recently introduced new product lines that are available in retail pharmacies to reach the retail market directly.

On the other hand, Ocean Health® consists of a suite of health supplement products that are available off-the-shelf across retail pharmacies in Singapore.

Figure 13: Proprietary brand products



Source: Company

Medical Hypermart and Digital: The segment represents a B2B sales channel for Hyphens Pharma. Apart from carrying products across its Specialty Pharma and Proprietary brands segments, the segment also carries branded pharmaceutical drugs from partners such as Pfizer, GlaxoSmithKline and Sanofi (Figure 14), supergenerics, and even in-house brands for medical personal protective equipment (PPE) and supplies such as alcohol swabs and bandages.

As of FY19, the segment carries over 3,000 products. The wide range of pharmaceutical and medical products provides a one-stop shop for customers to get essential medical supplies. Operating on a wholesaler model also allow Hyphens Pharma to undertake break-bulk services on behalf of customers and pass on cost-savings to smaller customers.



Figure 14: Notable partners for Medical Hypermart segment

Notable Partners
GlaxoSmithKline
Pfizer
Sanofi
Takeda
Roche
Bayer
MSD

Source: Company

Financials

Income Statement

Y/E Dec, S\$'000	FY17	FY18	FY19	FY20e	FY21e
Revenue	112,652	120,930	119,442	131,776	144,982
Cost of sales	(75,684)	(80,125)	(76,773)	(86,848)	(94,934)
Gross profit	36,968	40,805	42,669	44,928	50,048
Marketing and distribution costs	(20,402)	(21,736)	(24,837)	(24,984)	(27,898)
Administrative expenses	(8,472)	(10,422)	(9,772)	(11,703)	(12,829)
Finance costs	(206)	(129)	(138)	(145)	(162)
Other income and gains	268	279	546	72	79
Other losses	(996)	(1,797)	(481)		
Profit before tax	7,160	7,000	7,987	8,167	9,238
Income tax expense	(1,072)	(1,590)	(1,457)	(1,523)	(1,835)
Profit after tax	6,088	5,410	6,530	6,644	7,402

Per share data

Y/E Dec, SG cents	FY17	FY18	FY19	FY20e	FY21e
EPS	2.0	1.8	2.2	2.2	2.5
DPS	0.0	0.6	1.0	1.0	1.0
BVPS	6.3	13.1	14.7	16.3	18.2

Cash Flows

Y/E Dec, S\$'000	FY17	FY18	FY19	FY20e	FY21e
CFO					
Profit before tax	7,160	7,000	7,987	8,167	9,238
Adjustments	1,391	2,946	1,937	2,276	2,358
Working capital changes	(3,250)	(1,255)	935	(1,444)	(4,181)
Operating cash flow	5,301	8,691	10,859	8,998	7,415
Taxes paid, others	(683)	(1,154)	(1,406)	(1,459)	(1,523)
Net operating cash flow	4,618	7,537	9,453	7,539	5,892
CFI					
CAPEX, net	(171)	(3,378)	(606)	(1,613)	(576)
Acquisition of subsidiaries	-	-	-	-	-
Others	9	54	157	-	-
Net investing cash flow	(162)	(3,324)	(449)	(1,613)	(576)
CFE					
Proceeds from issuance of shares	-	15,605	-	-	-
IPO expenses	(310)	(1,670)	-	-	-
Dividends	(1,000)	(7,000)	(1,650)	(1,650)	(1,650)
Loans, net of repayments	(3,476)	(1,088)	(3,542)	(745)	(783)
Net financing cash flow	(4,786)	5,847	(5,192)	(2,395)	(2,433)
Net change in cash	(330)	10,060	3,812	3,531	2,883
CCE, end	12,293	22,353	26,165	29,696	32,579

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY17	FY18	FY19	FY20e	FY21e
ASSETS					
Plant and equipment	630	3,464	2,888	3,349	2,701
Right-of-use asset	-	-	3,060	2,262	1,464
Intangible assets	9,105	7,764	7,462	7,124	6,794
Others	315	210	105	105	105
Total non-current assets	10,050	11,438	13,515	12,840	11,064
Inventories	13,178	10,863	11,431	14,153	13,848
Trade and other receivable	23,775	29,833	28,654	28,961	37,088
Cash and cash equivalents	12,293	22,353	26,165	29,696	32,579
Others	245	492	366	409	495
Total current assets	49,491	63,541	66,616	73,219	84,010
Total assets	59,541	74,979	80,131	86,060	95,074
LIABILITIES					
Others	2,148	502	2,911	2,133	1,333
Total non-current liabilities	2,148	502	2,911	2,133	1,333
Trade and other payables	35,101	30,835	30,628	32,256	35,983
Others	3,462	4,480	2,516	2,601	2,935
Total current liabilities	38,563	35,315	33,144	34,856	38,918
Total liabilities	40,711	35,817	36,055	36,989	40,251
EQUITY					
Share capital	1,521	32,555	32,641	32,641	32,641
Retained earnings	17,191	21,587	26,467	31,461	37,214
Others	118	(14,980)	(15,032)	(15,032)	(15,032)
Total equity	18,830	39,162	44,076	49,070	54,823

Valuation Ratios

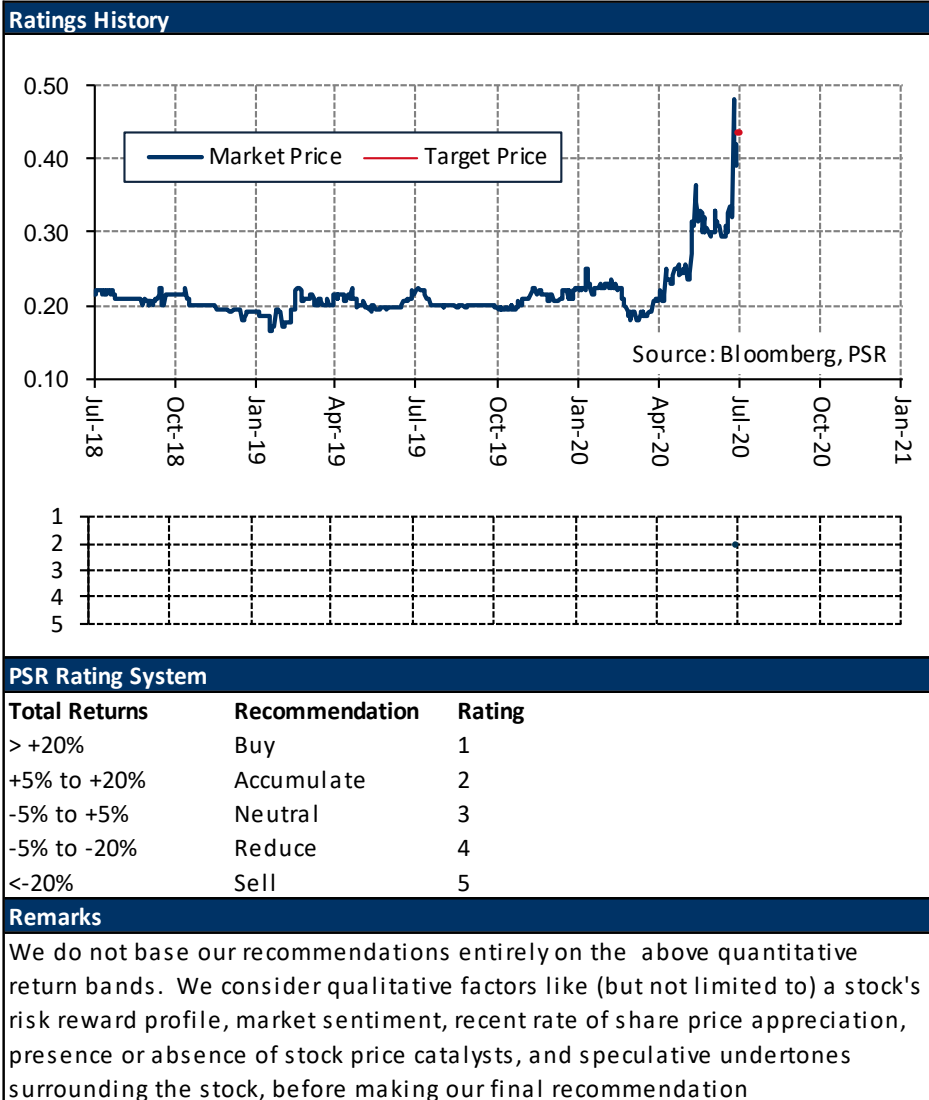
Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
P/E (x)	20.7	23.3	19.3	19.0	17.0
P/B (x)	6.7	3.2	2.9	2.6	2.3
EV/EBITDA (x)	10.9	9.9	9.9	9.1	7.9
Dividend Yield	0.0%	1.3%	2.4%	2.4%	2.4%

Growth & Margins

	FY17	FY18	FY19	FY20e	FY21e
Growth					
Revenue	11.6%	7.3%	-1.2%	10.3%	10.0%
Gross profit	5.3%	10.4%	4.6%	5.3%	11.4%
EBITDA	38.0%	-1.9%	27.3%	4.6%	10.9%
Net Profit	16.2%	-11.1%	20.7%	1.8%	11.4%
Margins					
Gross margin	32.8%	33.7%	35.7%	34.1%	34.5%
EBITDA margin	7.2%	6.6%	8.5%	8.0%	8.1%
Net Profit Margin	5.4%	4.5%	5.5%	5.0%	5.1%

Key Ratios

	FY17	FY18	FY19	FY20e	FY21e
ROE	32.3%	18.7%	15.7%	14.3%	14.3%
ROA	10.2%	8.0%	8.4%	8.0%	8.2%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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